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**Sent:** Tuesday, February 1, 2011 5:24 PM

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**Subject:** Regulatory Agency Costs

**Attachments:** Regulatory Agencies cost estimates.xls

Melanie, Jeff G, Thomas, Tim and Steve:

As follow-up from our January 6, 2011 technical team conference call, I'm transmitting to you, for your review, the spreadsheet we've developed based on our discussions about Regulatory Agencies expected costs for Parcels B and G. The goal is for us to present these to Reg Agencies to get as much buy-in as we can that this should cover the expected costs that they might incur for oversight of the ETCA tasks. This is an important step in moving towards our ETCA Grant number because if they do not think we are including enough dollars for their oversight then we need to adjust these numbers. More importantly, I do not want to wait for a preliminary indication from insurance because their costs are not insurable and we do not want this extra step of talking to Regulatory Agencies to slow us down in our ETCA grant negotiations.

Please note, we used the information that you gave us on 1/6/2011 to input a formula into Column E

Specifically, you gave us the information that your current basewide monthly costs for each agency were:

EPA = (b) (5), (b) (6)

DTSC = (b) (5), (b) (6)

RWQCB = (b) (5), (b) (6)

and then your best guess of the percentage of these costs that would be attributable to Parcels B and G for the first ten years post early transfer was 40%.

Then we split this 60% to Parcel B and 40% to Parcel G. look at Column E and you will see the formula. Also note that spreadsheet calculates as annual costs.

for years 11 to 20, when there is still development and Parcel B still has groundwater monitoring but AOC would have turned into an O&M agreement, we guessed that the Reg Agency costs would go down significantly to 20% of original basewide estimate.

for years 21 to 100, when the site is built out and the main tasks are 5 year reviews and reviews of annual inspections and reporting, we reduced the estimate to 10% of original basewide estimate.

please let us know no later than February 11th if these Regulatory Agency costs seem reasonable to you so that we can proceed with talking to Reg Agencies. If we need to, we can set up a phone call to discuss further.

thanks,  
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(See attached file: Regulatory Agencies cost estimates.xls)

Description and Assumptions	Begin Year	End Year	Annual Cost	Discount Rate
<b>PARCEL B</b>				
Regulatory Costs - Years 1 to 10			(b) (5), (b) (4)	
EPA	1	10		2.20%
RWQCB	1	10		2.20%
DTSC	1	10		2.20%
Regulatory Costs - Years 11 to 20				
EPA	11	20		2.70%
RWQCB	11	20		2.70%
DTSC	11	20		2.70%
Regulatory Costs - Years 21 to 100				
EPA	21	100		2.70%
RWQCB	21	100		2.70%
DTSC	21	100		2.70%
<b>PARCEL G</b>				
Regulatory Costs - Years 1 to 10				
EPA	1	10		2.20%
RWQCB	1	10		2.20%
DTSC	1	10		2.20%
Regulatory Costs - Years 11 to 20				
EPA	11	20		2.70%
RWQCB	11	20		2.70%
DTSC	11	20		2.70%
Regulatory Costs - Years 21 to 100				
EPA	21	100		2.70%
RWQCB	21	100		2.70%
DTSC	21	100		2.70%

#### TOTAL REGULATORY AGENCY COSTS

Uninflated Cost	Discounted* Cost
\$	(b) (5), (b) (4)
\$	
\$	
\$	
\$	
\$	
\$	
\$	
\$	
\$	
\$	
\$	
\$	
\$	
\$	